

(323) 881-2401

June 21, 2002

TO: EACH SUPERVISOR

FROM: P. MICHAEL FREEMAN

FIRE DISTRICT BUDGET ISSUES

As your Board begins budget deliberations next week, we wanted to update you on the Fire District's Budget situation and an upcoming court ruling that will have significant impact on our funding outlook not only for this year, but also for future years.

FIRE DISTRICT BUDGET

The Fire District's 2002-03 Proposed Budget maintains current service levels for both emergency and business operations. However, the budget includes a \$16 million proposed partial recovery of ERAF owed the District by the State which is being contested by the State. Their position is based on an adverse audit finding that would not only negate the \$100 million owed the District, but would also result in an ongoing annual revenue loss to the District of \$11 million beginning in 2003-04 and continuing into future years. To reverse the audit finding and clear the way for repayment of the \$100 million, County Counsel has filed, with Board approval, a legal complaint that will be heard in Superior Court on July 11, 2002.

Clearly, this is a critical financial issue for the Fire District. If this audit finding is not reversed, the District will be faced with a very serious revenue shortfall attributable to State actions. This shortfall will invariably result in a lower level of emergency response services unless additional revenue is developed. We will advise your Board further on this issue and the District's financial outlook following the court hearing next month.

ADDITIONAL FIRE SEASON FUNDING

The fire season has begun early with numerous, large fires. Without much rainfall last winter, vegetation is extremely dry. This has contributed to very dangerous fire conditions and record-breaking fire spread rates within our County. With at least four more months of high fire threat, we anticipate that fire-related costs will be higher this year; these will include augmented staffing costs, fire suppression costs and increased expenditures for leased aircraft.

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Last April, we began discussions with the Government of Quebec to inquire about an early arrival of the SuperScoopers. On June 11, 2002, your Board approved Supervisor Antonovich's motion formally instructing me to determine if these planes could arrive earlier than in previous years. Due to the fire season in Canada, we have been advised that the SuperScoopers will probably not be available until mid-September. Last year, the planes were deployed here from October 1 to December 15, 2002, (76 days) at a total cost of \$1.4 million. In addition to the early arrival, an extended deployment past December 15 is possible this year if required by adverse fire weather. We estimate that an additional \$800,000, for a total budget of \$2.2 million, will be needed for an extended deployment during this high activity fire season.

We plan to finance the added cost of this extended deployment within our currently available Fire District funds. However, a budget adjustment, which will be submitted to your Board in the next few weeks, is required to transfer the added funding for the SuperScoopers into the appropriate District budget unit.

This extended deployment of the SuperScoopers, along with additional unreimbursed costs from major fires, will place an added strain on our budget. Coupled with the pending financial difficulties created by the State, we are in an extremely tight and precarious financial situation. We will closely monitor our financial situation as the fire season continues and will advise your Board as the year progresses.

Despite the severe fire conditions and continuing funding uncertainties, we want to assure you that we are well prepared and ready for any emergency. With your Board's continuing support, we are confident we can meet the challenges ahead.

I will be discussing this issue with your deputies in the next few days, but if you have any questions, please call me at (323) 881-2401.

PMF:at

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